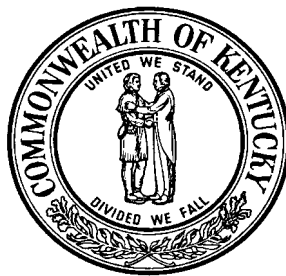


**REPORT OF THE AUDIT OF THE  
PULASKI COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Barty Bullock, Pulaski County Judge/Executive  
Members of the Pulaski County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Pulaski County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PULASKI COUNTY FISCAL COURT**

**June 30, 2007**

Peercy and Gray, PSC, has completed the audit of the Pulaski County Fiscal Court for fiscal year ended June 30, 2007. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pulaski County, Kentucky. We have issued a qualified opinion on Pulaski County's compliance with requirements applicable to its major federal awards programs.

The financial statements of the Somerset Pulaski County Development Foundation, Inc. (Foundation), a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Pulaski County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit.

#### **Financial Condition:**

The fiscal court had total net assets of \$61,675,616 as of June 30, 2007. The fiscal court had unrestricted net assets of \$1,941,936 in its governmental activities as of June 30, 2007, with total net assets of \$61,449,009. In its business-type activities, total net cash and cash equivalents were \$145,101 with total net assets of \$226,607. The fiscal court had total debt principal as of June 30, 2007 of \$11,191,846 with \$1,317,227 due within the next year.

The fiscal court's discretely presented component unit (Foundation) had net assets of \$11,168,553 as of June 30, 2007. The discretely presented component unit had net cash and cash equivalents of \$114,024. The discretely presented component unit had total debt principal as of June 30, 2007 of \$584,582 with \$60,996 due within the next year.

#### **Report Comments:**

- 2007-1 Fiscal Court Had Negative Bank Balances In Numerous Bank Accounts During Fiscal Year 2007
- 2007-2 The County Jailer Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Should Have A Written Agreement To Protect Deposit
- 2007-3 All Invoices Should Be Paid Within Thirty Days As Required By KRS 65.140
- 2007-4 The Fiscal Court Should Make Deposits In A Timely Manner
- 2007-5 The Fiscal Court Should Not Release Payroll Checks Until Payroll Date
- 2007-6 Cash Transfer From General Fund To LGEA Fund Actually Deposited Into Road Fund
- 2007-7 The Fiscal Court Should Record All Fixed/Capital Assets In Accordance With The Approved Capitalization Policy
- 2007-8 The Somerset Pulaski County Development Foundation Should Submit To The Fiscal Court Documentation Supporting All Credit Card Expenditures
- 2007-9 Internal Controls Over The Jail Fund And Fire Fund Credit Card Expenditures Function Should Be Strengthened
- 2007-10 Internal Controls Over The Fiscal Court Credit Card Expenditures Function Should Be Strengthened
- 2007-11 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110

#### **Deposits:**

As of August 31, 2006 and June 30, 2007, the fiscal court deposits were uninsured and uncollateralized by bank securities or bonds in the amount of \$46,475 and \$52,131, respectively.



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## **PEERCY AND GRAY, PSC**

### **Certified Public Accountants**

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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Barty Bullock, Pulaski County Judge/Executive  
Members of the Pulaski County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pulaski County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Somerset Pulaski County Development Foundation, Inc., a discretely presented component unit, which represents 100 percent of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Somerset Pulaski County Development Foundation, Inc. is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, management of Pulaski County Fiscal Court prepares the financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of Somerset Pulaski County Development Foundation, a discretely presented component unit of the Pulaski County Fiscal Court, are presented in accordance with the accrual basis of accounting and therefore, include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are not reasonably determinable.

To the People of Kentucky  
 Honorable Steven L. Beshear, Governor  
 Jonathan Miller, Secretary  
 Finance and Administration Cabinet  
 Honorable Barty Bullock, Pulaski County Judge/Executive  
 Members of the Pulaski County Fiscal Court

In our opinion, based upon our report and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Somerset Pulaski County Development Foundation, Inc.'s financial statements been prepared using the same basis of accounting as Pulaski County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Pulaski County, Kentucky, as of June 30, 2007, and the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pulaski County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures for federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2009, on our consideration of Pulaski County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based upon the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2007-1    Fiscal Court Had Negative Bank Balances In Numerous Bank Accounts During Fiscal Year 2007
- 2007-2    The County Jailer Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Should Have A Written Agreement To Protect Deposit
- 2007-3    All Invoices Should Be Paid Within Thirty Days As Required By KRS 65.140
- 2007-4    The Fiscal Court Should Make Deposits In A Timely Manner

To the People of Kentucky  
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Members of the Pulaski County Fiscal Court

- 2007-5 The Fiscal Court Should Not Release Payroll Checks Until Payroll Date
- 2007-6 Cash Transfer From General Fund To LGEA Fund Actually Deposited Into Road Fund
- 2007-7 The Fiscal Court Should Record All Fixed/Capital Assets In Accordance With The Approved Capitalization Policy
- 2007-8 The Somerset Pulaski County Development Foundation Should Submit To The Fiscal Court Documentation Supporting All Credit Card Expenditures
- 2007-9 Internal Controls Over The Jail Fund And Fire Fund Credit Card Expenditures Function Should Be Strengthened
- 2007-10 Internal Controls Over The Fiscal Court Credit Card Expenditures Function Should Be Strengthened
- 2007-11 The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

February 23, 2009

PULASKI COUNTY OFFICIALS

For The Year Ended June 30, 2007

**Fiscal Court Members:**

Barty Bullock	County Judge/Executive (current)
Darrell BeShears	County Judge/Executive (former)
Kenneth Isaacs	Magistrate
Mike Strunk	Magistrate
Glenn Maxey	Magistrate
Tommy Barnett	Magistrate
Mike Wilson	Magistrate

**Other Elected Officials:**

William Thompson	County Attorney
Mike Harris	Jailer
Ralph Troxtell	County Clerk
George Flynn	Circuit Court Clerk
Todd Wood	Sheriff
T.W. Todd	Property Valuation Administrator
Richard New	Coroner

**Appointed Personnel:**

Arlene Phelps Young	County Treasurer
Clara McQueen	Occupational Tax Collector
Marrissa VanHook	Finance Officer

# Pulaski County Fiscal Court

Barty Bullock, County Judge Executive  
Kenny Isaacs, District 1 Magistrate  
Mike Wilson, District 2 Magistrate

P.O. Box 712  
Somerset, KY 42502  
606-678-4853  
1-800-247-2510  
www.pulaskicountygovt.com

Tommy Barnett, District 3 Magistrate  
Glenn Maxey, District 4 Magistrate  
Mike Strunk, District 5 Magistrate

## Management's Discussion and Analysis June 30, 2007

The financial management of Pulaski County, Kentucky offers readers of Pulaski County's financial statements this narrative overview and analysis of the financial activities of Pulaski County for the fiscal year ended June 30, 2007.

### Financial Highlights

- Pulaski County had net assets of \$ 61,449,009 as of June 30, 2007 in its governmental activities. The fiscal court had unrestricted net assets of \$1,941,936 in its governmental activities as of June 30, 2007. In its business-type activities, cash and cash equivalents were \$145,101 with net assets of \$226,607. Total debt for Pulaski County Fiscal Court as of June 30, 2007 was \$ 11,191,846 with \$1,317,227 due within one year.
- At the close of the current fiscal year, Pulaski County governmental funds reported fund balances of \$6,945,392. Of this amount, \$1,941,936 is available for spending at the government's discretion with \$4,798,064 reserved for capital projects expenditures, and \$205,392 reserved for debt service payment.
- Pulaski County's total indebtedness at the close of fiscal year June 30, 2007 was \$11,191,846 of which \$9,874,619 is noncurrent debt (due after 1 year) and \$1,317,227 is current debt (to be paid within 1 year). Debt additions were \$6,450,000 and debt reductions were \$1,364,000 for a net increase of \$5,086,000 during the year.

### Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Pulaski County's basic financial statements. Pulaski County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Pulaski County's finances, in a manner similar to a private-sector business.



**Pulaski County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Overview of the Financial Statements (Continued)**

**Government-wide Financial Statements. (Continued)**

The *Statement of Net Assets* presents information on all of Pulaski County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Pulaski County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Pulaski County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity – the operation of a jail canteen.

The government-wide financial statements include not only Pulaski County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Pulaski County has two such entities: the Public Properties Detention Center Corporation known as a blended component unit and the Somerset Pulaski County Development Foundation, Inc. known as a discretely presented component unit.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pulaski County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Pulaski County can be divided into two broad categories: *governmental funds* and *proprietary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental

**Pulaski County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Overview of the Financial Statements (Continued)**

**Governmental Funds (Continued)**

fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Pulaski County maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, and the Public Properties Corporation Judicial Center Fund, all of which are considered major funds by the County. The LGEA Fund, Grant Fund, Sheriff Vehicle Fund, Hazardous Material Fund, Fire Fund, Industrial Development Fund, 911 Fund, Economic Development Fund, and Detention Center Corporation Bond Fund are considered non-major funds and are represented in a combined form.

Pulaski County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Pulaski County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Government-wide Financial Analysis (Continued)**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1**  
**Pulaski County's Statement of Net Assets Comparison**

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>2006</b>	<b>2007</b>	<b>Difference</b>	<b>2006</b>	<b>2007</b>	<b>Difference</b>
<b>Assets</b>						
Current and Other						
Assets	\$ 2,538,953	\$ 6,945,392	\$ 4,406,439	\$ 111,957	\$ 145,101	\$ 33,144
Net Capital Assets	69,482,760	65,695,463	(3,787,297)	75,771	81,506	5,735
Total Assets	72,021,713	72,640,855	619,142	187,728	226,607	38,879
<b>Liabilities</b>						
Current and Other						
Liabilities	1,094,001	1,317,227	223,226			
Noncurrent						
Liabilities	5,011,845	9,874,619	4,862,774			
Total Liabilities	6,105,846	11,191,846	5,086,000			
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of						
Related Debt	63,376,914	54,503,617	(8,873,297)	75,771	81,506	5,735
Restricted for						
Capital Projects		4,798,064	4,798,064			
Debt Service	195,820	205,392	9,572			
Unrestricted	2,343,133	1,941,936	(401,197)	111,957	145,101	33,144
Total Net Assets	\$ 65,915,867	\$ 61,449,009	\$ (4,466,858)	\$ 187,728	\$ 226,607	\$ 38,879

**Changes in Net Assets.**

*Governmental Activities.* Pulaski County's net assets decreased by \$4,466,858 in fiscal year 2007. Key elements of this are as follows:

- Current and Other Assets increased by \$4,406,439 primarily due to unspent proceeds from debt for the construction of the new Judicial Center facility.
- Infrastructure and tangible assets decreased by \$3,787,297 because of depreciation of roads and bridges.
- Total Liabilities increased by \$5,086,000 due to issuance of new debt.



**Pulaski County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Government-wide Financial Analysis (Continued)**

**Changes in Net Assets. (Continued)**

*Business-type Activities.* Pulaski County's net assets increase by \$38,879 in fiscal year 2007. Key elements of this are as follows:

- Current assets and cash increased by \$33,144.
- Capital Assets increased by \$5,735.

**Table 2**  
**Pulaski County's Statement of Activities Comparison**  
**and Changes in Net Assets**

<b>Revenues:</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>2006</b>	<b>2007</b>	<b>Difference</b>	<b>2006</b>	<b>2007</b>	<b>Difference</b>
<b>Program Revenues:</b>						
Charges for Services	\$ 2,586,746	\$ 186,166	\$ (2,400,580)	\$ 406,264	\$ 412,349	\$ 6,085
Operating Grants & Contributions	3,168,836	6,545,448	3,376,612			
Capital Grants & Contributions	2,779,184	2,012,497	(766,687)			
<b>General Revenues:</b>	14,525,857	14,934,495	408,638	11,586	16,360	4,774
Total Revenue	23,060,623	23,678,606	617,983	417,850	428,709	10,859
<b>Expenses:</b>						
General Government	7,846,285	7,693,381	(152,904)			
Protection to Persons and Property	5,443,488	5,378,436	(65,052)			
General Health and Sanitation	415,089	489,893	74,804			
Social Services	67,210	71,790	4,580			
Recreation and Culture	827,101	900,875	73,774			
Roads	7,876,487	9,246,733	1,370,246			
Airports	25,000	52,922	27,922			
Debt Service	412,062	388,693	(23,369)			
Capital Projects	2,152,427	3,922,741	1,770,314			
Jail Canteen				402,703	389,830	(12,873)
Total Expenses	25,065,149	28,145,464	3,080,315	402,703	389,830	(12,873)
Change In Net Assets	(2,004,526)	(4,466,858)	(2,462,332)	15,147	38,879	23,732
Net Assets - Beginning	67,920,393	65,915,867	(2,004,526)	172,581	187,728	15,147
Net Assets - Ending	65,915,867	61,449,009	(4,466,858)	187,728	226,607	38,879

**Pulaski County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Financial Analysis of the County's Funds.**

As noted earlier, Pulaski County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Pulaski County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 2007 fiscal year, the combined ending fund balance of County governmental funds was \$6,945,392. Approximately 28% (\$1,941,936) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. Of the remainder of the fund balance of \$205,392 is reserved for debt service, and \$4,798,064 is reserved for capital projects.

The County has four (4) major governmental funds. These are 1) General Fund, 2) Road Fund, 3) Jail Fund, 4) and Public Properties Corporation Judicial Center Fund. There are nine (9) non-major funds. They are the LGEA Fund, Fire Fund, Industrial Development Fund, 911 Fund, Economic Development Fund, Grant Fund, Sheriff's Vehicle Fund, Hazardous Material Fund, and Detention Center Corporation Bond Fund.

1. The General Fund is the chief operating fund of Pulaski County. At the end of the June 30, 2007 fiscal year, unreserved fund balance of the General Fund was \$199,300. The county received \$8,198,763 in Occupational tax revenues. Of this amount the General fund received \$4,134,828. This accounts for approximately 51% of the general fund revenue. \$1,711,660 was received from real and personal property taxes and accounts for approximately 21% of the county's general fund revenues. \$367,898 is derived from various fees and charges for services. This amounts to 5%. Various other miscellaneous sources make up the remaining revenues. Pulaski County distributes 30% of the total net Occupation Tax revenues to the 5 incorporated cities within the county.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had a fund balance of \$158,699 at June 30, 2007. The fiscal year 2007 expenditures for road projects were almost \$6.1 million. Total revenue for the Road Fund was \$4,857,277.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had an unreserved fund balance at June 30, 2007 of \$12,451. That is a decrease in fund balance of \$153,533 over the previous fiscal year end. The Jail Fund budget was \$3,075,568. \$1,600,115 or 65% of its revenue is for housing prisoners. The County also began allocating 8.75% of its occupational tax for the operation of the jail several years ago, but cut the Occupational tax funding to 3% during this fiscal year. \$257,810 (or 11% of revenue) was derived from the Occupational Tax.

**Pulaski County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

4. The Local Government Economic Assistance Fund had a fund balance of \$391,668, an increase of \$9,411 over the previous fiscal year end.
5. The Grant Fund is used to account for federal monies received. The county received \$2,012,497 in grants for various ongoing projects. In total, \$2,069,173 was expended for various projects. Fund balance as of June 30, 2007 is \$0.
6. The Fire Fund supports 17 Fire departments, Rescue Squad and Hazardous Material team from revenue derived from collection of a 5.5% insurance premium tax. Collections for 2007 were \$2,284,076, an increase of \$172,044 from the previous year. The year-end balance of the Fire Fund was \$240,328 a decrease of \$72,380 from the previous year.
7. The Industrial Development Fund is restricted to the recruitment of new companies and jobs to the county. It is supported by 20% of the net Occupational Tax revenues. \$1,121,544 was received from those funds. The year-end balance of this fund was \$254,706, a decrease of \$179,873 from the previous year. This Fund pays for the majority of the expenses of the Somerset Pulaski County Development Foundation, Inc., a component unit of the County. This includes salaries, benefits, and debt service. In total, \$1,899,940 was expended for this Fund during the fiscal year.
8. The 911 Fund accounts for the operation of the County's emergency operations communications. The Fund had a fund balance of \$348,203 at the end of the June 30, 2007 fiscal year. It is supported by 13% of gross Occupational Tax Collections. Tax Revenue for 2007 was \$1,073,845.
9. The Economic Development Fund is comprised of recaptured grant funds and had a fund balance of \$271,218, which consisted of cash of \$79,407 notes receivable of \$191,811. This is an increase of \$1,520. Those funds were used as matching funds to build a building owned by the county for the use of new industries relocating to Pulaski County.
10. The Sheriff's Vehicle fund derives its revenues from mileage paid to the County by the Sheriff's Department and is used to provide and maintain cruisers for the Sheriff's department. This fund was closed during the fiscal year and had a fund balance of \$0 at June 30, 2007.
11. The Hazardous Material Fund is used as a pass through account for Federal Homeland Security funds. Pulaski County is the host county for the surrounding 10 counties. They are Wayne, Mercer, Boyle, Lincoln, Casey, Adair, Russell, Cumberland, and Clinton. Pulaski County receives the funds then working with a board made up of representatives of the other counties, purchases and distributes equipment around the area according to a master plan. The fund balance was \$65,393 at June 30, 2007.
12. The Public Properties Detention Center Corporation Bond Fund maintains a fund balance of \$205,392 that is restricted for debt reduction on the Detention Center Bonds. Bond payments are transferred from the Jail Fund and then paid out of this fund. Outstanding debt as of June 30, 2007 on the Detention Center Bonds is \$285,000 and that debt will be retired in 2009.

**Pulaski County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

13. The Public Properties Corporation Judicial Center Fund accounts for the funding and the construction of the new Judicial Center facility for lease to the Administrative Office of the Courts. The fund balance at June 30, 2007 was \$4,798,604.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Pulaski County has one (1) enterprise-type proprietary fund, the Jail Canteen Fund. The Jail Canteen Fund's unrestricted net assets at the end of the June 30, 2007 fiscal year amounted to \$145,101 and total assets were \$226,607.

**General Fund Budgetary Highlights.**

The County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$475,000. Budget amendments were made to various expenditures due to grants awarded during the fiscal year, surplus cash carried forward, and an increase in actual Occupational Tax collections and Insurance premiums as opposed to projected collections.

Actual revenues were \$770,813 more than budgeted by the Fiscal Court. Expenditures were \$21,733,704 less than budgeted.

**Capital Assets and Debt Administration.**

*Capital Assets.* Pulaski County's investment in capital assets for its government and business type activities as of June 30, 2007, amounts to \$65,776,969 (net of accumulated depreciation). This is a decrease of \$3,781,562 from the previous year due to depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements to land other than buildings, machinery and equipment, vehicles, and infrastructure. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2007 fiscal year included the completion of three Fire Department substations, the purchase of four new Fire trucks, five smaller trucks and a front-end loader for the Road Department, and completing \$4.8 million of road resurfacing and repairs.

**Pulaski County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Capital Assets and Debt Administration. (Continued)**

Additional information on the County's capital assets can be found in Note 5 of this report.

**Table 3**  
**Pulaski County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2006	2007	2006	2007	2006	2007
<b>Assets</b>						
Infrastructure	\$ 50,381,150	\$ 46,168,255	\$	\$	\$ 50,381,150	\$ 46,168,255
Land	951,253	1,215,006			951,253	1,215,006
Construction in Progress		78,483				78,483
Buildings and Improvements	8,541,053	8,410,736			8,541,053	8,410,736
Other Equipment	1,645,516	1,725,899			1,645,516	1,725,899
Vehicles and Equipment	7,963,788	8,097,084	75,771	81,506	8,039,559	8,178,590
<b>Total Net Capital Assets</b>	<b>\$ 69,482,760</b>	<b>\$ 65,695,463</b>	<b>\$ 75,771</b>	<b>\$ 81,506</b>	<b>\$ 69,558,531</b>	<b>\$ 65,776,969</b>

*Long-Term Debt.* At the end of the fiscal year 2007, Pulaski County had total bonded debt outstanding of \$285,000. These are revenue bonds providing for debt service requirements for the purpose of financing and equipping the Pulaski County Detention Center. These bonds will retire in 2009.

At the end of the fiscal year 2007, Pulaski County had a bond anticipation note balance of \$4,950,000. This is in anticipation of issuing bonds for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts.

At the end of fiscal year 2007, Pulaski County had total outstanding lease debt of \$5,956,846. The county has a 10-year lease with the Kentucky Association of Counties to construct two new fire stations. Total outstanding debt for that lease is \$432,501 and will be retired in 2011. The County has a two 10-year road-resurfacing project leases with the Kentucky Association of Counties. Total outstanding debt for these leases is \$3,666,990 and will be both retired in 2014. The County has one new 5-year road-resurfacing project lease with a remaining balance of \$1,230,000. The remaining of the outstanding lease debt consists of \$106,737 for the construction of a fire training tower, \$267,618 is on various pieces of road maintenance equipment and vehicles; \$ 100,000 for a new CAD system for 9-1-1 Dispatch center, \$33,000 for Jail roof and computers, and \$120,000 on new computer equipment and a vehicle for the sheriff. Additional information on the County's debt can be found in Note 6 of this report.

**Pulaski County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2008 fiscal year budget:

- The 2008 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

**Requests For Information**

This financial report is designed to provide a general overview of Pulaski County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Pulaski County Treasurer, P. O. Box 712 (100 North Main Street), Somerset, KY 42502.

**PULASKI COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**





**PULASKI COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Somerset Pulaski County Dev. Foundation
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 6,753,581	\$ 145,101	\$ 6,898,682	\$ 114,024
Notes Receivable	191,811		191,811	1,576,693
Interest Receivable				445
Total Current Assets	6,945,392	145,101	7,090,493	1,691,162
Capital Assets - Net of Accumulated Depreciation				
Construction in Progress	78,483		78,483	
Land and Land Improvements	1,215,006		1,215,006	
Land and Development Costs				1,281,043
Buildings	8,410,736		8,410,736	
Other Equipment	1,725,899		1,725,899	
Leasehold Improvements and Equipment				6,946
Vehicles and Equipment	8,097,084	81,506	8,178,590	
Infrastructure	46,168,255		46,168,255	
Property Held for Sale or Lease - Net				8,782,385
Total Noncurrent Assets	65,695,463	81,506	65,776,969	10,070,374
Total Assets	72,640,855	226,607	72,867,462	11,761,536
<b>LIABILITIES</b>				
Current Liabilities:				
Bonds Payable	140,000		140,000	
Accounts Payable				8,400
Note Payable				60,996
Financing Obligations Payable	1,177,227		1,177,227	
Total Current Liabilities	1,317,227		1,317,227	69,396
Noncurrent Liabilities:				
Bonds Payable	145,000		145,000	
Bond Anticipation Note	4,950,000			
Note Payable				523,587
Financing Obligations Payable	4,779,619		4,779,619	
Total Noncurrent Liabilities	9,874,619		9,874,619	523,587
Total Liabilities	11,191,846		11,191,846	592,983
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	54,503,617	81,506	54,585,123	10,070,374
Restricted For:				
Capital Projects	4,798,064		4,798,064	
Debt Service	205,392		205,392	
Unrestricted	1,941,936	145,101	2,087,037	1,098,179
Total Net Assets	\$ 61,449,009	\$ 226,607	\$ 61,675,616	\$ 11,168,553

The accompanying notes are an integral part of the financial statements.

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**PULASKI COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**PULASKI COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 7,693,381	\$ 93,415	\$ 664,888	\$
Protection to Persons and Property	5,378,436	92,751	2,354,897	
General Health and Sanitation	489,893			
Social Services	71,790			
Recreation and Culture	900,875			
Roads	9,246,733		3,525,663	
Airports	52,922			
Debt Service	388,693			
Capital Projects	3,922,741			2,012,497
Total Governmental Activities	<u>28,145,464</u>	<u>186,166</u>	<u>6,545,448</u>	<u>2,012,497</u>
Business-type Activities:				
Jail Canteen	389,830	412,349		
Total Business-type Activities	<u>389,830</u>	<u>412,349</u>		
Total Primary Government	<u>\$ 28,535,294</u>	<u>\$ 598,515</u>	<u>\$ 6,545,448</u>	<u>\$ 2,012,497</u>
<b>Component Unit:</b>				
Somerset Pulaski County Development				
Foundation	<u>\$ 107,483</u>	<u>\$ 0</u>	<u>\$ 925,474</u>	<u>\$ 0</u>

**General Revenues:**

Taxes:

Real Property Taxes  
Motor Vehicle Taxes  
Occupational Taxes  
Fire Insurance Premium Taxes  
Other Taxes

Excess Fees

Commission and Royalties

Gain on Sale of Land

Reimbursements

Miscellaneous Revenues

Rentals

Interest

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			Component
Primary Government			Unit
Governmental Activities	Business-Type Activities	Totals	Somerset Pulaski County Dev. Foundation
\$ (6,935,078)	\$	\$ (6,935,078)	\$
(2,930,788)		(2,930,788)	
(489,893)		(489,893)	
(71,790)		(71,790)	
(900,875)		(900,875)	
(5,721,070)		(5,721,070)	
(52,922)		(52,922)	
(388,693)		(388,693)	
(1,910,244)		(1,910,244)	
(19,401,353)		(19,401,353)	
	22,519	22,519	
	22,519	22,519	
(19,401,353)	22,519	(19,378,834)	
			\$ 817,991
1,440,371		1,440,371	
271,289		271,289	
8,198,763		8,198,763	
2,284,076		2,284,076	
916,888		916,888	
701,607		701,607	
173,004		173,004	
			207,427
136,831		136,831	
657,825	9,272	667,097	1,461
			159,027
153,841	7,088	160,929	3,876
14,934,495	16,360	14,950,855	371,791
(4,466,858)	38,879	(4,427,979)	1,189,782
65,915,867	187,728	66,103,595	9,978,771
\$ 61,449,009	\$ 226,607	\$ 61,675,616	\$ 11,168,553

The accompanying notes are an integral part of the financial statements.

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**PULASKI COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

**PULASKI COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Judicial Center Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 199,300	\$ 158,669	\$ 12,451	\$ 4,798,064
Notes Receivables				
Total Assets	<u>199,300</u>	<u>158,669</u>	<u>12,451</u>	<u>4,798,064</u>
<b>FUND BALANCES</b>				
Reserved for:				
Capital Projects				4,798,064
Bond Payments				
Unreserved:				
General Fund	199,300			
Special Revenue Funds		158,669	12,451	
Total Fund Balances	<u>\$ 199,300</u>	<u>\$ 158,669</u>	<u>\$ 12,451</u>	<u>\$ 4,798,064</u>

The accompanying notes are an integral part of the financial statements.



**PULASKI COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 1,585,097	\$ 6,753,581
191,811	191,811
<u>1,776,908</u>	<u>6,945,392</u>
	4,798,064
205,392	205,392
	199,300
<u>1,571,516</u>	<u>1,742,636</u>
<u>\$ 1,776,908</u>	<u>\$ 6,945,392</u>

**Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:**

Total Fund Balances	\$ 6,945,392
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	204,178,275
Accumulated Depreciation	(138,482,812)
Long Term Debt is Not Due And Payable in The Current Period And, Therefore, Is Not Reported In The Funds.	
Bond Anticipation Note	(4,950,000)
Financing Obligations	(5,956,846)
Bonds	<u>(285,000)</u>
Net Assets Of Governmental Activities	<u>\$ 61,449,009</u>

The accompanying notes are an integral part of the financial statements.

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**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Judicial Center Fund</b>
<b>REVENUES</b>				
Taxes	\$ 6,292,403	\$ 1,652,639	\$ 253,662	
In Lieu Tax Payments	216,840	51,256		
Excess Fees	701,607			
Licenses and Permits	202,876			
Intergovernmental	664,888	3,019,831	1,950,157	
Charges for Services	93,415		83,495	
Miscellaneous	10,495	118,696	200,183	
Interest	18,369	14,855	3,725	57,157
Total Revenues	<u>8,200,893</u>	<u>4,857,277</u>	<u>2,491,222</u>	<u>57,157</u>
<b>EXPENDITURES</b>				
General Government	2,494,100			
Protection to Persons and Property	1,106,681		1,995,808	
General Health and Sanitation	430,678			
Social Services	4,385			
Recreation and Culture	736,235			
Roads		4,742,575		
Airports				
Debt Service	40,853	947,290	39,847	93,699
Capital Projects	167,022	313,443		68,767
Administration	3,654,014	25,628	601,828	46,627
Total Expenditures	<u>8,633,968</u>	<u>6,028,936</u>	<u>2,637,483</u>	<u>209,093</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(433,075)</u>	<u>(1,171,659)</u>	<u>(146,261)</u>	<u>(151,936)</u>
<b>Other Financing Sources (Uses)</b>				
Debt Issuance		1,500,000		4,950,000
Transfers From Other Funds	846,601	200,000	205,000	
Transfers to Other Funds	(744,039)	(200,000)	(212,272)	
Total Other Financing Sources (Uses)	<u>102,562</u>	<u>1,500,000</u>	<u>(7,272)</u>	<u>4,950,000</u>
Net Change in Fund Balances	(330,513)	328,341	(153,533)	4,798,064
Fund Balances - Beginning	529,813	(169,672)	165,984	
Fund Balances - Ending	<u>\$ 199,300</u>	<u>\$ 158,669</u>	<u>\$ 12,451</u>	<u>\$ 4,798,064</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 4,441,711	\$ 12,640,415
	268,096
	701,607
	202,876
2,923,069	8,557,945
9,256	186,166
638,286	967,660
59,735	153,841
<u>8,072,057</u>	<u>23,678,606</u>
345,667	2,839,767
1,617,412	4,719,901
	430,678
67,405	71,790
158,254	894,489
128,357	4,870,932
52,922	52,922
631,004	1,752,693
4,870,258	5,419,490
341,408	4,669,505
<u>8,212,687</u>	<u>25,722,167</u>
<u>(140,630)</u>	<u>(2,043,561)</u>
	6,450,000
558,881	1,810,482
<u>(654,171)</u>	<u>(1,810,482)</u>
<u>(95,290)</u>	<u>6,450,000</u>
(235,920)	4,406,439
2,012,828	2,538,953
<u>\$ 1,776,908</u>	<u>\$ 6,945,392</u>

The accompanying notes are an integral part of the financial statements.

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**PULASKI COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**





**PULASKI COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$ 4,406,439
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	2,765,512
Depreciation Expense	(6,412,423)
Assets disposed of, net book value:	(140,386)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. While lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets.

Debt Issuance	(6,450,000)
Payment of Detention Center Refunding Bonds	135,000
Payment For Financing Obligations	<u>1,229,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (4,466,858)</u></u>
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**PULASKI COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**



**PULASKI COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Business-Type Activities- Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 145,101
Total Current Assets	<u>145,101</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	128,112
Less Accumulated depreciation	<u>(46,606)</u>
Total Noncurrent Assets	<u>81,506</u>
Total Assets	<u>226,607</u>
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	81,506
Unrestricted	<u>145,101</u>
Total Net Assets	<u>\$ 226,607</u>

The accompanying notes are an integral part of the financial statements.

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**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**





**PULASKI COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities- Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 410,608
Other Receipts	1,741
Total Operating Revenues	<u>412,349</u>
<b>Operating Expenses</b>	
Cost of Sales	232,810
Educational, Recreational, and Inmate Benefit	64,407
Personnel Costs	10,259
Sales Tax	13,918
Miscellaneous	661
Office Supplies	2,792
Depreciation	15,091
Total Operating Expenses	<u>339,938</u>
Operating Income	<u>72,411</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	7,088
Inmate Pay From State	9,272
Inmate Refunds	<u>(49,892)</u>
Total Nonoperating Revenues (Expenses)	<u>(33,532)</u>
Change In Net Assets	38,879
Total Net Assets - Beginning	<u>187,728</u>
Total Net Assets - Ending	<u><u>\$ 226,607</u></u>

The accompanying notes are an integral part of the financial statements.



**PULASKI COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**PULASKI COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<u><b>Business-Type Activities- Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 410,608
Other Receipts	1,741
Payments to Suppliers	(300,009)
Payments to Employees	(10,259)
Payments to Others	(14,579)
Net Cash Provided By Operating Activities	<u>87,502</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay From State	9,272
Inmate Refunds on Accounts	(49,892)
Net Cash (Used) By Noncapital Financing Activities	<u>(40,620)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Capital Asset Purchases	(20,826)
Net Cash (Used) By Capital and Related Financing Activities	<u>(20,826)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	7,088
Net Cash Provided By Investing Activities	<u>7,088</u>
Net Increase in Cash and Cash Equivalents	33,144
Cash and Cash Equivalents - July 1, 2006	<u>111,957</u>
Cash and Cash Equivalents - June 30, 2007	<u><u>\$ 145,101</u></u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>Business-Type Activities- Enterprise Fund</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Jail Canteen Fund</b>
Operating Income (Loss)	\$ 72,411
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities:	
Depreciation Expense	<u>15,091</u>
Net Cash Provided By Operating Activities	<u><u>\$ 87,502</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The primary government presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, except for the recording of depreciation expense on the statement of activities. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. The financial statements of the Somerset Pulaski County Development Foundation, Inc., a discretely presented component unit, is prepared on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, all assets and liabilities are reported. Revenue is recorded when earned and expenses are recorded when incurred. The financial information of this discretely presented component unit is included in the government-wide Statement of Net Assets and Statement of Activities.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Pulaski County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Units**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Pulaski County Public Properties Corporation**

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. The Public Properties Corporation's financial information is reported in the Public Properties Corporation Judicial Center Fund and the Detention Center Corporation Bond Fund.



**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the data for the Somerset Pulaski County Development Foundation, Inc. This is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as “Component Unit” to emphasize this organization’s separateness from the fiscal court’s primary government.

Somerset Pulaski County Development Foundation, Inc.

The Pulaski County Fiscal Court (Fiscal Court) does not appoint a voting majority of the Somerset Pulaski County Development Foundation’s, Inc. (Foundation) governing board. However, the Foundation is governed by a board of directors which includes the County Judge/Executive and is a legally separate organization set up exclusively for the development and enhancement of the industrial and commercial welfare of Somerset, Pulaski County, and surrounding areas. The Pulaski County Fiscal Court’s occupational tax ordinance states that a percentage of the collections are to be deposited into the County’s Industrial Development Fund. In this fund the Fiscal Court retains the tax revenues collected, approves and pays the expenditures of the Foundation including salaries and debt. The debt outstanding is reported in the financial statements and related notes of the Foundation. The Fiscal Court also purchases land and constructs buildings for industrial development by obtaining grants or using the occupational tax revenues then deeds over the land and buildings to the Foundation when completed. These capital assets are reported in the financial statements and related notes of the Foundation. Exclusion of this entity as a component unit of Pulaski County would cause the county’s financial statements to be misleading or incomplete. The financial information for the Foundation is presented discretely within Pulaski County’s financial statements.

Audited financial statements for the Somerset Pulaski County Development Foundation, Inc. a discretely presented component unit, may be requested by contacting the Somerset Pulaski County Development Foundation, Inc., P.O. Box 450, Somerset, Kentucky, 42502.

**C. Pulaski County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Pulaski County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Pulaski County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Judicial Center Fund - The primary purpose of this fund is to account for the financial resources to be used for the acquisition and construction of the judicial center.

The government also has the following non-major funds: Local Government Economic Assistance Fund, Fire Fund, Industrial Development fund, 911 Fund, Economic Development Fund, Grant Fund, Hazardous Material Fund, Sheriff's Vehicle Fund, and Detention Center Corporation Bond Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Fire Fund, Industrial Development Fund, 911 Fund, Economic Development Fund, Grant Fund, Hazardous Material Fund, and Sheriff's Vehicle Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Fund:**

The Detention Center Corporation Bond Fund maintained by the Pulaski County Public Properties Corporation is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Capital Projects Fund:**

The Public Properties Corporation Judicial Center Fund is presented as a capital projects fund. The capital projects fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating Expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Presentation of Discretely Presented Component Unit**

The financial statements present the following major discretely presented component unit: Somerset Pulaski County Development Foundation, Inc.

This component unit is presented on the Statement of Net Assets and the Statement of Activities in a separate column labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	3-25
Infrastructure	25,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances (if any) are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Detention Center Corporation Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the Jail Fund to comply with these requirements.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from this fund.

The Somerset Pulaski County Development Foundation, Inc. funds are not budgeted by the County Treasurer. The State Local Finance Officer does not require the Fiscal Court to budget these funds.

**J. Related Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Pulaski County Fiscal Court:

Southeastern Water District  
Pulaski County Western Water District  
Pulaski County Public Library Special District  
Pulaski County Extension District Board  
Pulaski County Solid Waste Board

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposit may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). The County Jailer did not enter into a written agreement with one depository institution for the Jail Canteen. As of August 31, 2006 and June 30, 2007, \$46,475 and \$52,131 respectively, of the County's deposits were exposed to custodial credit risk as follows:

- Uninsured and Uncollateralized \$46,475 and \$52,131

**Amounts Due Other Entities**

As of June 30, 2007, \$97,032 of the County's general fund cash balance of \$199,300 belonged to other entities for occupational taxes collected by the County on their behalf.

**Note 3. Notes Receivable**

**Primary Government:**

In April 1993, Pulaski County loaned Somerset Food Services the proceeds from a Community Development Block Grant in the amount of \$317,532 plus an additional \$200,000. This loan was for a period of twenty years at 3 percent interest, with 20 annual payments in the amount of \$21,307 for the first five years and \$38,061 for the remaining 15 years. As of June 30, 2007, principal balance due was \$191,811.

Notes receivable, as of year-end for the primary government's are as follows:

<b>Primary Government:</b>	<u>Governmental Activities</u>		
	Principal Amount Borrowed	Interest Rate	Principal Amount Receivable June 30, 2007
<u>Company</u>			
Somerset Food Services	<u>\$ 517,532</u>	3%	<u>\$ 191,811</u>
Totals	<u>\$ 517,532</u>		<u>\$ 191,811</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Notes Receivable (Continued)**

**Discretely Presented Component Unit:**

Notes receivable at June 30, 2007 of the Somerset Pulaski County Development Foundation, Inc. is made up of the following notes due from industries at varying interest rates:

<b>Foundation:</b>	<u>Governmental Activities</u>	
	Principal	Amount
<u>Company</u>	<u>Receivable</u>	
	<u>June 30, 2007</u>	
Mac Metal	\$	16,693
Hendrickson USA, LLC		360,000
A.L. Adams Group, Inc.		1,000,000
TDE Group, Inc.		50,000
Valley Oak Tenants Association		15,000
General Electric		150,000
Less: Allowance for Uncollectibles		(15,000)
Totals	\$	<u>1,576,693</u>

1. The General Electric (GE) note is a ten-year term note that matured July 1, 2002. For each year that GE maintains a manufacturing facility at its current location, employing a minimum of an average of 185 employees per year, the note payment due from GE for that year is deferred without penalty or additional interest. At the conclusion of the ten-year term, any unpaid and/or previously deferred amounts due under the agreement will be forgiven provided GE has complied with all terms of the agreement. As of June 30, 2002, GE had failed to meet the average 185 employees requirement for three years in a row (June 30, 2000-June 30, 2002).

Due to GE's past performance and the company's promises of future expansion, the board voted to extend GE's contract through July 1, 2007. If GE meets the requirements for those three years, the Foundation will forgive both the current and deferred amounts as originally agreed upon.

2. The note to Hendrickson USA, LLC, which is a loan for a portion of the purchase price of the speculation building, is to be reclassified as a grant as the company creates a minimum of 120 jobs on or before December 31, 2009 and maintains those jobs for ten years. The credit will accrue to Hendrickson at a rate of \$300 per job per year during the term of the note. If certain conditions are not met during the period of this note, interest at 5% and payments may become due or the note may be called for no employment or failure to make any payment due timely.



**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Notes Receivable (Continued)**

**Discretely Presented Component Unit (Continued):**

3. The note to Valley Oak Tenants Association is a short-term loan to assist the Association in various projects in relation to the Valley Oak property.
4. The note to A.L. Adams Group, Inc. which is a loan for the purchase price of the speculation building and 23.154 acres, will be reclassified as a grant, if the company creates up to 200 full-time jobs within a five-year period, commencing the 18<sup>th</sup> day of July, 2004 based upon a formula agreed to by the Foundation and the Company. If conditions are not met, at the conclusion of the five-year period, A.L. Adams Group, Inc. will repay the Foundation any remaining balance. After June 30, 2007, the Company ceased operations and defaulted on this loan. The Foundation believes it is adequately collateralized in the underlying real estate to fully recover all amounts owed to it. This loan has been placed on nonaccrual status.
5. The note to TDE Group, Inc., which is a loan for relocation will be reclassified as a grant, if the company creates up to 50 full-time jobs within a five-year period, commencing the 18<sup>th</sup> day of July, 2004 based upon a formula agreed to by the Foundation and the Company. If conditions are not met, at the conclusion of the five-year period, TDE Group, Inc. will repay the Foundation any remaining balance. After June 30, 2007, the Company ceased operations and defaulted on this loan. The Foundation believes it is adequately collateralized in the underlying real estate to fully recover all amounts owed to it. This loan has been placed on nonaccrual status.

**Note 4. Operating Leases**

The fiscal court entered into various lease agreements for copiers, mailing scales, and 911 equipment to be used by various county departments. The total expense related to these leases was \$40,376 for the fiscal year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended	
<u>June 30</u>	<u>Amount</u>
2008	\$ 38,026
2009	10,843
2010	6,837
2011	1,910
Total Minimum Lease Payments	<u>\$ 57,616</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 951,253	\$ 263,753	\$	\$ 1,215,006
Construction In Progress		78,483		78,483
Total Capital Assets Not Being Depreciated	951,253	342,236		1,293,489
Capital Assets, Being Depreciated:				
Buildings	13,127,472	164,000		13,291,472
Other Equipment	2,801,825	285,648		3,087,473
Vehicles and Equipment	11,759,081	845,251	(331,494)	12,272,838
Infrastructure	173,104,626	1,128,377		174,233,003
Total Capital Assets Being Depreciated	200,793,004	2,423,276	(331,494)	202,884,786
Less Accumulated Depreciation For:				
Buildings	(4,586,419)	(294,317)		(4,880,736)
Other Equipment	(1,156,309)	(205,265)		(1,361,574)
Vehicles and Equipment	(3,795,293)	(571,569)	191,108	(4,175,754)
Infrastructure	(122,723,476)	(5,341,272)		(128,064,748)
Total Accumulated Depreciation	(132,261,497)	(6,412,423)	191,108	(138,482,812)
Total Capital Assets, Being Depreciated, Net	68,531,507	(3,989,147)	(140,386)	64,401,974
Government Activities Capital Assets, Net	<u>\$ 69,482,760</u>	<u>\$ (3,646,911)</u>	<u>\$ (140,386)</u>	<u>\$ 65,695,463</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Primary Government:</u></b>				
<b><u>Business-type Activities:</u></b>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	107,286	20,826		128,112
Total Capital Assets Being Depreciated	107,286	20,826		128,112
Less Accumulated Depreciation For:				
Vehicles and Equipment	(31,515)	(15,091)		(46,606)
Total Accumulated Depreciation	(31,515)	(15,091)		(46,606)
Total Capital Assets, Being Depreciated, Net	75,771	5,735		81,506
Business-type Activities Capital Assets, Net	\$ 75,771	\$ 5,735	\$ 0	\$ 81,506

Depreciation expense was charged to functions of the primary government as follows:

<b><u>Governmental Activities:</u></b>	
General Government	\$ 184,109
Protection to Persons and Property	658,535
General Health and Sanitation	59,215
Recreation and Culture	6,386
Roads, Including Depreciation of General Infrastructure Assets	<u>5,504,178</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,412,423</u>
<b><u>Business-type Activities</u></b>	
Jail Canteen	<u>\$ 15,091</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 15,091</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

Capital asset activity for the primary government's discretely presented component unit for the year ended June 30, 2007 for Property and Equipment.

<u>Property and Equipment</u>	Discretely Presented Component Unit Somerset-Pulaski County Development Foundation, Inc.			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land and Development Costs	\$ 1,268,501	\$ 12,542	\$	\$ 1,281,043
Total Capital Assets Not Being Depreciated	1,268,501	12,542		1,281,043
Capital Assets, Being Depreciated:				
Leasehold Improvements	3,493			3,493
Equipment	50,282	2,773		53,055
Total Capital Assets Being Depreciated	53,775	2,773		56,548
Less Accumulated Depreciation For:				
Leasehold Improvements and Equipment	(48,169)	(1,433)		(49,602)
Total Accumulated Depreciation	(48,169)	(1,433)		(49,602)
Total Capital Assets, Being Depreciated, Net	5,606	1,340		6,946
Capital Assets, Property and Equipment, Net	<u>\$ 1,274,107</u>	<u>\$ 13,882</u>	<u>\$ 0</u>	<u>\$ 1,287,989</u>

Depreciation expense was charged to functions of the discretely presented component unit as follows:

Somerset-Pulaski County Development Foundation, Inc.	<u>\$ 1,433</u>
Total Depreciation Expense - Component Unit	<u>\$ 1,433</u>

Capital asset activity for the primary government's discretely presented component unit for the year ended June 30, 2007 for property held for sale or lease.

<u>Property Held for Sale or Lease</u>	Discretely Presented Component Unit Somerset-Pulaski County Development Foundation, Inc.			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Buildings and Land	\$ 8,168,267	\$ 1,815,000	\$ (1,200,882)	\$ 8,782,385
Land Options	4,700		(4,700)	
Total Capital Assets Not Being Depreciated	8,172,967	1,815,000	(1,205,582)	8,782,385
Capital Assets, Property Held for Sale or Lease	<u>\$ 8,172,967</u>	<u>\$ 1,815,000</u>	<u>\$ (1,205,582)</u>	<u>\$ 8,782,385</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt**

**Primary Government:**

**A. 1996 Revenue Bonds**

On October 1, 1996, the Pulaski County Public Properties Corporation issued \$1,415,000 of Revenue Bonds for the purpose of defeasement of the 1988 Bond Series Issue. The 1988 bonds were originally issued to finance and equip the Pulaski County Detention Center. The bonds require two semiannual interest payments be made on January 1 and July 1 of each year commencing January 1, 1997. One principal payment will be due on July 1 of each year, beginning January 1, 1997. Bonds will mature July 1, 2008. As of June 30, 2007, the principal amount outstanding was \$285,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 140,000	\$ 10,535
2009	145,000	3,553
	<u>\$ 285,000</u>	<u>\$ 14,088</u>

**B. Fire Project**

On November 29, 2000, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of fire equipment, land, and the construction of a three bay fire station. The principal was \$1,100,000 at 4.25% interest rate for a period of 10 years, interest and principal paid monthly. The principal outstanding as of June 30, 2007, was \$432,501. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 119,791	\$ 18,702
2009	125,294	12,652
2010	131,050	6,324
2011	56,366	700
	<u>\$ 432,501</u>	<u>\$ 38,378</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**Primary Government (Continued)**

**C. Jail Roof and Computer Equipment**

On June 24, 2003, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the repairs to the jail roof and the purchase of computer and telephone equipment. The principal was \$160,000 at 2.05 percent interest for a period of 5 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2007, was \$33,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 33,000	\$ 550
	<u>\$ 33,000</u>	<u>\$ 550</u>

**D. Road Improvements**

On January 13, 2004, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$4,500,000 at 3.380 percent interest for a period of 10 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2007, was \$3,301,119. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 426,533	\$ 126,381
2009	440,736	108,360
2010	455,413	90,308
2011	470,578	71,470
2012	486,248	52,076
2013-2014	<u>1,021,611</u>	<u>38,578</u>
	<u>\$ 3,301,119</u>	<u>\$ 487,173</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**Primary Government (Continued):**

**E. Fire Tower**

On October 22, 2003, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for Fire Training Tower. The principal was \$499,999 at 3.460 percent interest for a period of 5 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2007, was \$106,737. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 106,737	\$ 2,667
	<u>\$ 106,737</u>	<u>\$ 2,667</u>

**F. Road Improvements**

On March 26, 2004, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$500,000 at 3.15 percent interest for a period of 10 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2007, was \$365,871. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	47,548	13,829
2009	49,039	11,991
2010	50,579	10,101
2011	52,167	8,147
2012	53,806	6,140
2013-2014	<u>112,732</u>	<u>5,725</u>
	<u>\$ 365,871</u>	<u>\$ 55,933</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**Primary Government (Continued):**

**G. Road Grader**

On March 2, 2005, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a road grader. The principal was \$108,000, at 3.26 percent interest for a period of 52 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2007, was \$67,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 22,000	\$ 1,918
2009	22,000	1,034
2010	23,000	81
	<u>\$ 67,000</u>	<u>\$ 3,033</u>

**H. Ford Excursion Truck**

On November 12, 2004, the Pulaski County Fiscal Court entered into an agreement with the Ford Motor Credit Company for the purchase of a 2005 Ford Excursion for the Somerset Pulaski County Development Foundation's Director. The principal was \$39,912, at 5.3 percent interest for a period of 3 years, with interest and principal paid monthly. The principal outstanding as of June 30, 2007, was \$9,090. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 9,090	\$ 202
	<u>\$ 9,090</u>	<u>\$ 202</u>



**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**Primary Government (Continued):**

**I. Ford Crown Victoria**

On November 12, 2004, the Pulaski County Fiscal Court entered into an agreement with the Ford Motor Credit Company for the purchase of a 2005 Ford Crown Victoria for the purpose of transporting prisoners. The principal was \$21,511, at 4.55 percent interest for a period of 3 years, with interest and principal paid monthly. The principal outstanding as of June 30, 2007, was \$2,528. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 2,528	\$ 24
	<u>\$ 2,528</u>	<u>\$ 24</u>

**J. Tractor/Mower**

On May 5, 2005, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a tractor/mower. The principal was \$304,000, at 3.32 percent interest for a period of 55 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2007, was \$189,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 60,000	\$ 6,797
2009	65,000	4,268
2010	64,000	1,594
	<u>\$ 189,000</u>	<u>\$ 12,659</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**Primary Government (Continued):**

**K. CAD 911 System**

On July 13, 2005 the Pulaski County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an upgraded dispatch system for the 911 center. The principal was \$130,000, at 4.25 percent interest for a period of 59 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2007, was \$100,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 25,000	\$ 3,991
2009	25,000	2,843
2010	25,000	1,591
2011	25,000	125
	<u>\$ 100,000</u>	<u>\$ 8,550</u>

**L. Vehicles/Computer Equipment**

On August 18, 2005 the Pulaski County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of two vehicles for the Sheriff's Department and an upgrade of the county finance office's computer system. The principal was \$155,000, at 3.510 percent interest for a period of 53 months, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2007, was \$120,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 40,000	\$ 4,542
2009	40,000	2,960
2010	40,000	1,150
	<u>\$ 120,000</u>	<u>\$ 8,652</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**Primary Government (Continued):**

**M. First Mortgage Revenue Bond Anticipation Note, Series 2006**

In September 2007, the Pulaski County Kentucky, Public Properties Corporation issued \$4,950,000 First Mortgage Revenue Bond Anticipation Notes, Series 2007 in anticipation of issuing bonds for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. The bond anticipation notes principal is due at maturity on October 1, 2008. Semi-annual interest payments at a rate of 3.85 % are due on April 1 and October 1 of each year. The principal outstanding as of June 30, 2007, was \$4,950,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$	\$ 190,575
2009	4,950,000	95,288
	<u>\$ 4,950,000</u>	<u>\$ 285,863</u>

**N. Road Repairs**

On July 25, 2006, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The principal was \$1,500,000 at 3.98 percent interest for a period of 5 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2007, was \$1,230,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 285,000	\$ 52,616
2009	300,000	39,436
2010	315,000	24,935
2011	330,000	9,473
	<u>\$ 1,230,000</u>	<u>\$ 126,460</u>

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**O. Changes in Long-Term Debt – Primary Government**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 420,000	\$ 0	\$ 135,000	\$ 285,000	\$ 140,000
Bond Anticipation Note		4,950,000		4,950,000	
Financing Obligations	5,685,846	1,500,000	1,229,000	5,956,846	1,177,227
Governmental Activities Long-term Liabilities	<u>\$ 6,105,846</u>	<u>\$ 6,450,000</u>	<u>\$ 1,364,000</u>	<u>\$11,191,846</u>	<u>\$ 1,317,227</u>

**Discretely Presented Component Unit:**

**P. Somerset Pulaski County Development Foundation, Inc. Note Payable**

Note payable consists of the following:

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$360,000. This loan is secured by a mortgage on a building. This loan is payable in 120 installments of \$3,000 through March 2017. The balance on this loan at June 30, 2007 was \$345,000. Future principal requirements on the Foundation's debt are:

Fiscal Year Ended June 30	<u>Governmental Activities</u> Principal
2008	36,000
2009	36,000
2010	36,000
2011	36,000
2012	36,000
2013-2017	165,000
	<u>\$ 345,000</u>

A 0% loan payable to the South Kentucky Rural Electric Cooperative Corporation for \$250,000. This loan is secured by a mortgage on a building. This loan is payable in 120 installments of \$2,083 through March 2017. The balance on this loan at June 30, 2007 was \$239,583. Future principal requirements on the Foundation's debt are:

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**P. Somerset Pulaski County Development Foundation, Inc. Note Payable (Continued)**

Fiscal Year Ended June 30	Governmental Activities
	Principal
2008	\$ 24,996
2009	24,996
2010	24,996
2011	24,996
2012	24,996
2013-2017	114,603
	<u>\$ 239,583</u>

**Q. Changes in Long-term Debt – Discretely Presented Component Unit**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Foundation:</b>					
Notes Payable	\$ 900,000	\$ 610,000	\$ 925,417	\$ 584,583	\$ 60,996
Long-term Liabilities	<u>\$ 900,000</u>	<u>\$ 610,000</u>	<u>\$ 925,417</u>	<u>\$ 584,583</u>	<u>\$ 60,996</u>

**Note 7. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$277,221 in interest on financing obligations and \$111,472 in interest on bonds and notes.

**Note 8. Employee Retirement System**

The fiscal court and the Somerset Pulaski County Development Foundation, Inc., a discretely presented component unit, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone (502)564-4646.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 9. Insurance**

For the fiscal year ended June 30, 2007, Pulaski County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Deferred Compensation**

On February 24, 2000, the Pulaski County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employee's Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862 or by telephone at (502) 583-7925.

**Note 11. Estimated Infrastructure Historical Cost**

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003, and thereafter are recorded at actual historical cost.

**Note 12. Subsequent Events**

- A. In September 2008, the Pulaski County Kentucky, Public Properties Corporation issued \$4,950,000 First Mortgage Revenue Bond Anticipation Notes, Series 2008 in anticipation of issuing bonds for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts.
- B. In December 2008, the Pulaski County Kentucky, Public Properties Corporation issued \$14,205,000 First Mortgage Revenue Bonds, Series 2008 for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5% to 6.0% are due on December 1 and June 1 of each year. Principal is due annually on December. The bonds mature in 2028.

**PULASKI COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 12. Subsequent Events (Continued)**

- C. In January 2009, the Pulaski County Kentucky, Public Properties Corporation issued \$9,500,000 First Mortgage Revenue Bonds, Series 2009 for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5% to 4.875% are due on December 1 and June 1 of each year. Principal is due annually on December. The bonds mature in 2028.

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**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**



**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 5,994,809	\$ 5,994,809	\$ 6,359,072	\$ 364,263
In Lieu Tax Payments	260,000	260,000	216,840	(43,160)
Excess Fees	452,213	452,213	701,607	249,394
Licenses and Permits	146,500	146,500	202,876	56,376
Intergovernmental Revenue	453,200	453,200	715,724	262,524
Charges for Services	195,950	195,950	93,415	(102,535)
Miscellaneous	150,000	150,000	155,582	5,582
Interest	40,000	40,000	18,369	(21,631)
Total Revenues	<u>7,692,672</u>	<u>7,692,672</u>	<u>8,463,485</u>	<u>770,813</u>
<b>EXPENDITURES</b>				
General Government	2,678,893	2,988,188	2,627,864	360,324
Protection to Persons and Property	1,002,527	1,110,527	1,106,681	3,846
General Health and Sanitation	341,315	537,970	430,678	107,292
Social Services		4,410	4,385	25
Recreation and Culture	293,120	1,021,320	736,235	285,085
Debt Service	-	43,300	40,853	2,447
Capital Projects	22,050,000	20,855,840	33,258	20,822,582
Administration	3,526,817	3,806,117	3,654,014	152,103
Total Expenditures	<u>29,892,672</u>	<u>30,367,672</u>	<u>8,633,968</u>	<u>21,733,704</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(22,200,000)</u>	<u>(22,675,000)</u>	<u>(170,483)</u>	<u>22,504,517</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds	22,000,000	22,475,000	-	(22,475,000)
Transfers from Other Funds		-	649,000	649,000
Transfers To Other Funds			(744,039)	(744,039)
Total Other Financing Sources (Uses)	<u>22,000,000</u>	<u>22,475,000</u>	<u>(95,039)</u>	<u>(22,570,039)</u>
Net Changes in Fund Balances	(200,000)	(200,000)	(265,522)	(65,522)
Fund Balances - Beginning	<u>200,000</u>	<u>200,000</u>	<u>292,547</u>	<u>92,547</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27,025</u>	<u>\$ 27,025</u>

**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,528,500	\$ 1,528,500	\$ 1,682,315	\$ 153,815
In Lieu Tax Payments	35,000	35,000	51,256	16,256
Intergovernmental Revenue	2,221,500	3,151,500	3,019,831	(131,669)
Miscellaneous	65,000	65,000	117,460	52,460
Interest	6,000	6,000	14,855	8,855
Total Revenues	3,856,000	4,786,000	4,885,717	99,717
<b>EXPENDITURES</b>				
Roads	4,325,935	5,183,080	4,742,575	440,505
Debt Service	2,683,065	1,684,290	947,290	737,000
Capital Projects	200,000	1,263,000	313,443	949,557
Administration	17,000	25,630	25,628	2
Total Expenditures	7,226,000	8,156,000	6,028,936	2,127,064
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(3,370,000)	(3,370,000)	(1,143,219)	2,226,781
<b>OTHER FINANCING SOURCES (USES)</b>				
Borrowed Money	3,120,000	3,120,000	1,500,000	(1,620,000)
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds			(200,000)	(200,000)
Total Other Financing Sources (Uses)	3,120,000	3,120,000	1,500,000	(1,620,000)
Net Changes in Fund Balances	(250,000)	(250,000)	356,781	606,781
Fund Balances - Beginning	250,000	250,000	(254,053)	(504,053)
Fund Balances - Ending	\$ 0	\$ 0	\$ 102,728	\$ 102,728

**PULASKI COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 225,000	\$ 225,000	\$ 257,810	\$ 32,810
Intergovernmental Revenue	2,344,668	2,344,668	1,950,157	(394,511)
Charges for Services	68,400	68,400	83,495	15,095
Miscellaneous	182,500	182,500	198,823	16,323
Interest	5,000	5,000	3,725	(1,275)
Total Revenues	<u>2,825,568</u>	<u>2,825,568</u>	<u>2,494,010</u>	<u>(331,558)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	2,277,193	2,243,263	1,995,808	247,455
Debt Service	206,875	207,455	192,119	15,336
Administration	591,500	624,850	601,828	23,022
Total Expenditures	<u>3,075,568</u>	<u>3,075,568</u>	<u>2,789,755</u>	<u>285,813</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(295,745)</u>	<u>(45,745)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			205,000	205,000
Transfers Out to Other Funds			(60,000)	(60,000)
Total Other Financing Sources (Uses)			<u>145,000</u>	<u>145,000</u>
Net Changes in Fund Balances	(250,000)	(250,000)	(150,745)	99,255
Fund Balances - Beginning (Restated)	<u>250,000</u>	<u>250,000</u>	<u>153,714</u>	<u>(96,286)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,969</u>	<u>\$ 2,969</u>

**PULASKI COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Detention Center Corporation Bond Fund and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of the General Fund**

Total Revenues-Budgetary Basis	\$ 8,463,485
To adjust for prior year Occupational Tax Receivable	(238,944)
To adjust for current year Occupational Tax Receivable	172,275
To correct error in transfer for grant	(50,836)
To record transfer for insurance from Fire Fund	(130,000)
To correct transfer from Sheriff's Vehicle Fund	(16,765)
Miscellaneous Adjustment	<u>1,678</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 8,200,893</u></u>
 Total Other Financing Sources and Uses-Budgetary Basis	 \$ (95,039)
To record transfer for insurance from Fire Fund	130,000
To correct transfer from Sheriff's Vehicle Fund	16,765
To correct error in transfer for grant	<u>50,836</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u><u>\$ 102,562</u></u>
 Fund Balance-Beginning-Budgetary Basis	 \$ 292,547
To adjust for prior year Occupational Tax Receivable	238,944
Miscellaneous Adjustment	<u>(1,678)</u>
Fund Balance-Beginning-Modified Cash Basis	<u><u>\$ 529,813</u></u>
 Fund Balance-Ending-Budgetary Basis	 \$ 27,025
To adjust for current year Occupational Tax Receivable	<u>172,275</u>
Fund Balance-Ending-Modified Cash Basis	<u><u>\$ 199,300</u></u>

**PULASKI COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2007**  
**(Continued)**

**Reconciliation of the Road Fund**

Total Revenues-Budgetary Basis	\$ 4,885,717
To adjust for prior year Occupational Tax Receivable	(85,617)
To adjust for current year Occupational Tax Receivable	55,941
Miscellaneous Adjustment	<u>1,236</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 4,857,277</u></u>
Fund Balance-Beginning-Budgetary Basis	\$ (254,053)
To adjust for prior year Occupational Tax Receivable	85,617
Miscellaneous Adjustment	<u>(1,236)</u>
Fund Balance-Beginning-Modified Cash Basis	<u><u>\$ (169,672)</u></u>
Fund Balance-Ending-Budgetary Basis	\$ 102,728
To adjust for current year Occupational Tax Receivable	<u>55,941</u>
Fund Balance-Ending-Modified Cash Basis	<u><u>\$ 158,669</u></u>

**Reconciliation of the Jail Fund**

Total Revenues-Budgetary Basis	\$ 2,494,010
To adjust for prior year Occupational Tax Receivable	(13,630)
To adjust for current year Occupational Tax Receivable	9,482
Miscellaneous Adjustment	<u>1,360</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 2,491,222</u></u>
Total Expenditures-Budgetary Basis	\$ 2,789,755
To record transfer of debt payment	<u>(152,272)</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 2,637,483</u></u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ 145,000
To record transfer of debt payment	<u>(152,272)</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u><u>\$ (7,272)</u></u>
Fund Balance-Beginning-Budgetary Basis	\$ 153,714
To adjust for prior year Occupational Tax Receivable	13,630
Miscellaneous Adjustment	<u>(1,360)</u>
Fund Balance-Beginning-Modified Cash Basis	<u><u>\$ 165,984</u></u>
Fund Balance-Ending-Budgetary Basis	\$ 2,969
To adjust for current year Occupational Tax Receivable	<u>9,482</u>
Fund Balance-Ending-Modified Cash Basis	<u><u>\$ 12,451</u></u>

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**PULASKI COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2007**

**PULASKI COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2007**

	<b>Local Government Economic Assistance Fund</b>	<b>Industrial Development Fund</b>	<b>Fire Fund</b>	<b>911 Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 391,668	\$ 254,706	\$ 240,328	\$ 348,203
Notes Receivables				
Total Assets	<u>391,668</u>	<u>254,706</u>	<u>240,328</u>	<u>348,203</u>
<b>FUND BALANCES</b>				
Reserved for:				
Bond Payments				
Unreserved:				
Special Revenue Funds	<u>391,668</u>	<u>254,706</u>	<u>240,328</u>	<u>348,203</u>
Total Fund Balances	<u>\$ 391,668</u>	<u>\$ 254,706</u>	<u>\$ 240,328</u>	<u>\$ 348,203</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2007**

<b>Economic Development Fund</b>	<b>Hazardous Material Fund</b>	<b>Detention Center Corporation Bond Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 79,407	\$ 65,393	\$ 205,392	\$ 1,585,097
191,811			191,811
<u>271,218</u>	<u>65,393</u>	<u>205,392</u>	<u>1,776,908</u>
		205,392	205,392
<u>271,218</u>	<u>65,393</u>		<u>1,571,516</u>
<u>\$ 271,218</u>	<u>\$ 65,393</u>	<u>\$ 205,392</u>	<u>\$ 1,776,908</u>

The accompanying notes are an integral part of the financial statements.

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**PULASKI COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**

**PULASKI COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

	<b>Local Government Economic Assistance Fund</b>	<b>Fire Fund</b>	<b>Industrial Development Fund</b>	<b>911 Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$ 2,284,077	\$ 1,101,761	\$ 1,055,873
Intergovernmental	505,832	9,932		146,039
Charges for Services		9,256		
Miscellaneous		23,936	610,000	35
Interest	9,824	16,275	8,306	13,986
Total Revenues	<u>515,656</u>	<u>2,343,476</u>	<u>1,720,067</u>	<u>1,215,933</u>
<b>EXPENDITURES</b>				
General Government	9,000		306,045	
Protection to Persons and Property	27,500	733,117		835,314
Social Services	67,405			
Recreation and Culture	158,254			
Roads	128,357			
Airports	52,922			
Debt Service		249,348	194,357	35,027
Capital Projects		1,191,286	1,349,999	60,558
Administration		41,506	49,539	250,363
Total Expenditures	<u>443,438</u>	<u>2,215,257</u>	<u>1,899,940</u>	<u>1,181,262</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>72,218</u>	<u>128,219</u>	<u>(179,873)</u>	<u>34,671</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	150,000	133,000		29,000
Transfers To Other Funds	(212,807)	(333,599)		(58,000)
Total Other Financing Sources (Uses)	<u>(62,807)</u>	<u>(200,599)</u>		<u>(29,000)</u>
Net Change in Fund Balances	9,411	(72,380)	(179,873)	5,671
Fund Balances - Beginning	382,257	312,708	434,579	342,532
Fund Balances - Ending	<u>\$ 391,668</u>	<u>\$ 240,328</u>	<u>\$ 254,706</u>	<u>\$ 348,203</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Economic Development Fund</b>	<b>Grant Fund</b>	<b>Hazardous Material Fund</b>	<b>Sheriff's Vehicle Fund</b>	<b>Detention Center Corporation Bond Fund</b>	<b>Total Non-Major Governmental Funds</b>
			\$ 0		\$ 4,441,711
	2,012,497	248,769			2,923,069
			4,315		9,256
1,720			52	9,572	638,286
1,720	2,012,497	248,769	4,367	9,572	59,735
					8,072,057
			30,622		345,667
		21,481			1,617,412
					67,405
					158,254
					128,357
					52,922
				152,272	631,004
200	2,069,173	199,042			4,870,258
					341,408
200	2,069,173	220,523	30,622	152,272	8,212,687
1,520	(56,676)	28,246	(26,255)	(142,700)	(140,630)
	11,971	53,599	29,039	152,272	558,881
		(33,000)	(16,765)		(654,171)
	11,971	20,599	12,274	152,272	(95,290)
1,520	(44,705)	48,845	(13,981)	9,572	(235,920)
269,698	44,705	16,548	13,981	195,820	2,012,828
\$ 271,218	\$ 0	\$ 65,393	\$ 0	\$ 205,392	\$ 1,776,908

The accompanying notes are an integral part of the financial statements.

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**PULASKI COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Other Supplementary Information**

**For The Year Ended June 30, 2007**



**PULASKI COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department Of Commerce</u>		
Passed-Through U.S. Army Corps Of Engineers:		
Congressionally Identified Awards And Projects		
Personal Responsibility In A Desirable Environment		
Initiative - Southern And Eastern Kentucky Environmental		
Improvement Program 531 - Westgate Sewer Project	90-99	\$ 122,419
(CFDA #11.469)		
Total U.S. Department Of Commerce		<u>\$ 122,419</u>
<u>U.S. Department Of Justice</u>		
Direct Program:		
Juvenile Justice and Prevention Program		
Gang Resistance Education And		
Training Program	2006-JV-FX-0111	\$ 28,835
(CFDA #16.737)		
Total U.S. Department Of Justice		<u>\$ 28,835</u>
<u>U.S. Department of The Interior</u>		
National Parks Service		
Civil War Battlefield Land Acquisition Grant		
Mill Springs Battlefield	47-05-CW-1406	\$ 829,600
Mill Springs Battlefield	21-05-CW-1406	417,802
(CFDA #15.928)		
Total U.S. Department of The Interior		<u>\$ 1,247,402</u>

**PULASKI COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**  
**(Continued)**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department Of Transportation</u>		
Federal Highway Administration		
Passed-Through State Transportation Cabinet:		
Highway Planning and Construction		
Mill Springs Battlefield Visitors Center Project	C-01068142	\$ 321,312
Mill Springs Battlefield Visitors Center Project (CFDA #20.205)	C-04053834	227,800
Total U.S. Department Of Transportation		<u>\$ 549,112</u>
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
Emergency Management Performance Grant		
Domestic Security Operations (CFDA #97.042)	M-03254738	\$ 3,970
Homeland Security Grant Program		
Area 12 Hazmat Program	M-04595892	64,540
Area 12 Hazmat Program (CFDA #97.067)	M-05324586	155,983
Total U.S. Department of Homeland Security		<u>\$ 224,493</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 2,172,261</u></u>

**PULASKI COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pulaski County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Pulaski County Fiscal Court provided federal awards to the following subrecipient:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Civil War Battlefield Land Acquisition Grant Mill Springs Battlefield	15.928	Mill Springs Battlefield Association	\$ 1,247,402
Highway Planning and Construction Mill Springs Battlefield Visitors Center Project	20.205	Mill Springs Battlefield Association	549,112
			<u>\$ 1,796,514</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







## **PEERCY AND GRAY, PSC**

### **Certified Public Accountants**

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Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Barty Bullock, Pulaski County Judge/Executive  
Members of the Pulaski County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 23, 2009, wherein we issued a qualified opinion on the discretely present component unit and made reference to the report of other auditors. Pulaski County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pulaski County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pulaski County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pulaski County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-4, 2007-5, 2007-6, 2007-7, 2007-8, 2007-9, and 2007-10 to be significant deficiencies in internal control over financial reporting.

Report On Internal Control And On Compliance And Other Matters  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described as items 2007-1, 2007-4, 2007-5, 2007-6, and 2007-7 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pulaski County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of material noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items: 2007-1, 2007-2, and 2007-3.

The Pulaski County Judge/Executive's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

February 23, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





## PEERCY AND GRAY, PSC

### Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Barty Bullock, Pulaski County Judge/Executive  
Members of the Pulaski County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

#### Compliance

We have audited the compliance of Pulaski County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Pulaski County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pulaski County's management. Our responsibility is to express an opinion on Pulaski County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pulaski County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pulaski County's compliance with those requirements.

As described in item 2007-11 in the accompanying schedule of findings and questioned costs, Pulaski County did not comply with requirements regarding subrecipient monitoring that are applicable to its Highway Planning and Construction (#20.205) and Civil War Battlefield Land Acquisition Grant (#15.928). Compliance with such requirements is necessary, in our opinion, for Pulaski County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Pulaski County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Pulaski County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pulaski County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pulaski County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-11 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the item listed above to be a material weakness.

The Pulaski County Judge/Executive's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

February 23, 2009

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2007**





**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2007**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky. The auditor's report expresses a qualified opinion on the discretely presented component unit of Pulaski County, Kentucky,
2. Eight significant deficiencies, of which five are considered material weaknesses, relating to internal control were disclosed by the audit of the financial statements and are reported in the Independent Auditor's Report.
3. Three instances of noncompliance material to the financial statements of Pulaski County were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal awards programs is reported in the Independent Auditor's Report. It is also considered to be a material weakness.
5. The auditor's report on compliance for the audit of the major federal awards programs for Pulaski County expresses a qualified opinion.
6. There is one audit finding of noncompliance relative to the major federal awards programs for Pulaski County reported in Part C of this schedule.
7. The programs tested as major programs were: Civil War Battlefield Land Acquisition Grant (CFDA #15.928); Highway Planning and Construction (CFDA # 20.205).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Pulaski County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**2007-1      Fiscal Court Had Negative Bank Balances In Numerous Bank Accounts During Fiscal Year 2007**

Based upon the auditor's review of cash and bank accounts we noted there were numerous instances in various county bank accounts where checks written for expenditures and submitted for payment exceeded the available cash in the bank account. This practice resulted in the following negative cash balances on various dates within the respective bank accounts for the funds:

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**2007-1      Fiscal Court Had Negative Bank Balances In Numerous Bank Accounts During Fiscal Year 2007**

General Fund		Road Fund		Sheriff's Vehicle Fund		Grant Fund		Occupational Tax	
Date	Amount	Date	Amount	Date	Amount	Date	Amount	Date	Amount
08/03/06	(8,135.19)	07/28/06	(49,952.77)	07/20/06	(4,671.38)	12/22/06	(339.63)	08/21/06	(47,814.76)
08/04/06	(13,420.16)	07/31/06	(53,499.25)	07/31/06	(3,555.45)			08/22/06	(47,834.76)
08/07/06	(41,326.61)	08/01/06	(146,882.27)	08/02/06	(15,648.24)				
09/26/06	(32,604.46)			08/24/06	(60.00)				
09/29/06	(18,358.59)			08/31/06	(39.24)				
10/02/06	(32,973.83)								
10/16/06	(9,136.38)								
10/27/06	(67,366.95)								
10/30/06	(13,398.94)								
10/31/06	(13,143.54)								
11/01/06	(13,576.98)								
11/02/06	(14,310.02)								
11/10/06	(47,255.03)								
11/13/06	(47,505.03)								
11/14/06	(47,505.03)								
06/25/07	(16,576.81)								
06/26/07	(19,220.94)								

As outlined in the County Budget Preparation and State Local Finance Officer Policy Manual, the County Treasurer is to countersign checks only if the following conditions exist: Claim reviewed by the Fiscal Court, sufficient fund balance and adequate cash in the bank to cover check, and adequate free balance in a properly budgeted appropriation account to cover the check.

We recommend that the Fiscal Court refrain from approving and issuing payment for expenditures when there is no available cash in bank accounts to cover those expenditures. We also recommend the County Treasurer comply with all applicable requirements outlined in the County Budget Preparation Manual and State Local Finance Officer Policy Manual concerning countersigning of checks.

*County Judge/Executive Barty Bullock's Response: The Fiscal Court acknowledges that negative balances occurred in several funds due to negative cash flows at various times throughout the fiscal year in question caused by several factors including bills outstanding that neither the Treasurer or the Court were made aware of. These items have subsequently been paid. This has been corrected and did not result in any overdraft fees or non payment of claims.*

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**2007-2      The County Jailer Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits And Should Have A Written Agreement To Protect Deposit**

On August 31, 2006 and June 30, 2007, \$46,475 and \$52,131, respectively, of the County Jailer's deposits of Jail Canteen funds in depository institutions were uninsured and unsecured. According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. In addition, it was noted that there was no written agreement between the County Jailer and the depository institution, signed by both parties, securing the County Jailer's interest in the collateral.

We recommend the County Jailer require the depository institution to pledge sufficient collateral to protect deposits and enter into a written agreement with the depository institution to secure the County Jailer's interest in the collateral to be pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. 1823 (e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution.

*County Judge/Executive Barty Bullock's Response: This has been corrected.*

**2007-3      All Invoices Should Be Paid Within Thirty Days As Required By KRS 65.140**

During our expenditure testing we noted that certain expenditures tested were not paid within 30 working days as required by KRS 65.140. Of the 125 expenditures chosen for testing, there were 11 expenditures paid late, some as late as six months.

KRS 65.140 states that "unless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor". This statute further states that "an interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved each month or fraction thereof after the thirty (30) working days which follow receipt of vendor's invoice by the purchaser."

We recommend that the Fiscal Court comply with KRS 65.140 and pay all invoices including debt expenditures within 30 working days.

*County Judge/Executive Barty Bullock's Response: These payments were paid late with the agreement of the vendor. They were payments on an MOA for road work, where the vendor acknowledged that payment was not due until the funds were received from the State.*

*Auditor's Reply: The majority of the revenue received from the State for road work was received in the fall of 2006, however, Pulaski County also received a significant amount in the early spring of 2007 and invoices for these expenditures were paid late. Also, there were four late payments to vendors that were not for road work, and two of those were as much as six months late.*

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**2007-4      The Fiscal Court Should Make Deposits In A Timely Manner**

During our review of cash and deposits, we noted instances in which the Fiscal Court made deposits only a few times a month, with many deposits prepared separately and posted on the same day. This caused part of the overdraft problem in comment 2007-1 noted above.

We recommend the Fiscal Court make timely deposits to ensure there are sufficient funds to pay all checks written.

*County Judge/Executive Barty Bullock's Response: We feel that deposits are made in a timely manner. The Treasurer makes a separate deposit for anything that a receipt is given on so that there is a clear trail of the disposition of these items. This may make it appear to be untimely because of the large number of deposits sent to the bank at one time. Also, we receive much of our funding from other government agencies at the same time during the month.*

**2007-5      The Fiscal Court Should Not Release Payroll Checks Until Payroll Date**

During our review of payroll bank statements we noted that several payroll checks to one employee were being cashed before the payroll date.

We recommend the county strengthen controls over the payroll function by not allowing the payroll officer to release payroll checks prior to the county's pay date.

*County Judge/Executive Barty Bullock's Response: By order of the County Judge executive, all checks were released at the same time, 3PM on the Thursday prior to the actual pay date of Friday. No employees received a check before this time. It may have appeared so because a few checks were deposited after 3 pm but the teller had not balanced their drawer and the checks went on that day's business. We are including copies of some deposit tickets showing the actual time of deposit. The actual pay date on the checks has been changed so that this will not happen in the future.*

**2007-6      Cash Transfer From General Fund To LGEA Fund Actually Deposited Into Road Fund**

During our audit test of transfers, we noted that a check for a transfer from the General Fund for \$150,000 was made out to the LGEA Fund, but actually deposited into the Road Fund. This transfer was approved by Fiscal Court to the LGEA Fund.

We recommend that transfers are deposited into the account for which the check is prepared.

*County Judge/Executive Barty Bullock's Response: In examining this transaction, we have found that the transaction that occurred was correct. All money that should have been deposited to the LGEA fund was correct and all money that should have been deposited to the ROAD Fund was correct. The misconception of this item occurred because the check deposited to the Road Fund was correct, but the payee name was wrong.*

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**2007-7      The Fiscal Court Should Record All Fixed/Capital Assets In Accordance With The Approved Capitalization Policy**

During our testing of fixed/capital assets, we discovered the following:

- Three items were included on the fixed assets listing that did not meet the valuation requirements of the capitalization policy.
- The infrastructure listing was not updated for new construction in the fiscal year causing infrastructure to be understated by \$1,134,097.
- One vehicle in the amount of \$5,000 was not included in the vehicle listing for the fiscal year.
- The only supporting documentation for nine items for road work was a copy of a work order signed by the Judge/Executive and vendor only. No invoice was attached. Also, the work order was not signed by the Road Foreman.
- Construction in progress for the judicial building in the amount of \$9,716 was not recorded.
- Eleven items did not contain proper cancellation of supporting documentation.
- Two items recorded in the appropriations ledger did not have the proper description.
- The only documentation for four items was a packing slip.
- One item had no supporting documentation.
- Two items purchased from the commissary fund were not included on the fixed/capital asset listing.

The financial statements have been adjusted for the above exceptions.

We recommend that the Fiscal Court record fixed/capital assets in accordance with its approved capitalization policy and all supporting documentation be maintained in accordance with its internal control procedures.

*County Judge/Executive Barty Bullock's Response:*

- *3 items included on fixed assets under capitalization policy...this was because we lumped like items together, such as three computers bought at the same time. We will correct that.*
- *Infrastructure understated...this was a misunderstanding on our part. We supplied the amount of Asphalt laid during the fiscal year as a separate item instead of adding it to the actual infrastructure listing. We will correct this.*
- *One vehicle for \$5000.00 not listed. That is corrected.*
- *9 items of road work without supporting documentation. The actual invoices were in the file, but had gotten separated from the work orders during some research. The work order was not signed by the Road supervisor because the current Road Supervisor was on suspension at that time.*
- *Construction in Progress for the Judicial Center was understated by \$9,716 because we did not realize that Architectural Services should have been booked as an asset. We will correct that in the future.*
- *Eleven items did not contain proper cancellation. We will correct that in the future.*
- *Two items did not have proper description. We do not know which items this refers to. We will correct this when the auditors inform where the error was.*
- *4 items only documentation was packing slips.*

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**2007-7      The Fiscal Court Should Record All Fixed/Capital Assets In Accordance With The Approved Capitalization Policy (Continued)**

- *Two items purchased from the commissary fund were not included on the fixed asset list. We had been told in the past that the Jail should maintain their own fixed asset list for anything bought from the Commissary account. We will correct this in the future.*

**2007-8      The Somerset Pulaski County Development Foundation Should Submit To The Fiscal Court Documentation Supporting All Credit Card Expenditures**

The Pulaski County Fiscal Court pays the majority (approximately 95%) of the Somerset-Pulaski County Development Foundation, Inc.'s expenditures out of the county's industrial development fund.

During our review of industrial development fund expenditures we noted the Fiscal Court paid credit card invoices that did not contain all the necessary documentation to support charges made. The credit card is authorized by the Fiscal Court to be used by the Foundation's Executive Director for necessary expenses relating to recruiting industrial development prospects. Auditors noted that there were missing receipts and receipts that did not clearly show the purpose for the expenditure. There were a total of 55 missing receipts totaling \$4,532. Total charges for the year were \$7,490, with \$35 paid in finance charges and late fees. It was not possible to verify the business purpose of the expenditures.

We recommend that the Somerset Pulaski County Development Foundation submit all supporting documentation and provide explanations for all credit card charges. We also recommend the Fiscal Court withhold payment of invoices unless there is sufficient supporting documentation to determine the allowability for the expenditures. We further recommend that the County Attorney review this matter to determine if any county funds should be recovered.

*County Judge/Executive Barty Bullock's Response: This has been corrected. The Foundation no longer carries a credit card through the Fiscal Court.*

**2007-9      Internal Controls Over The Jail Fund And Fire Fund Credit Card Expenditures Function Should Be Strengthened**

During our expenditure testing, we noted the Fiscal Court paid \$469 in finance charges for the Jail Fund credit card. Auditors expanded testing and noted that the credit card had a running balance of over \$2,600 for the entire fiscal year 2007. The balance resulted from April 2005 (fiscal year 2005) purchases that did not get paid. The unpaid balance on the Visa card as of June 30, 2007 was \$2,007. This amount was paid completely in August 2007. Also, our review of credit card expenditures found three receipts missing that totaled \$1,441.

We recommend the Finance Officer and County Treasurer review all documentation attached to purchase requisitions to ensure their accuracy before payment is made. In addition, we recommend the Fiscal Court pay the outstanding balance of all credit cards on a monthly basis

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**2007-9      Internal Controls Over The Jail Fund And Fire Fund Credit Card Expenditures Function Should Be Strengthened (Continued)**

*County Judge/Executive Barty Bullock's Response: The outstanding balance with the Jail Fund credit card has been resolved. As mentioned in the comment this incident was taken care in its entirety in August 2007. The outstanding balance is the result of the Jail not sending over purchase requisitions with the statement along with the previous Finance Officer not reviewing the statements before payment. When the balance was resolved, research was done by the current Finance Officer and notes were commented on the statement in which the outstanding balance was paid. Also, any pertinent attachments accompanied that statement to show proof of what was being paid. The information was presented by the current Finance Officer to the auditors at the time of audit. The Finance Officer is now reviewing all statements as they come over for payment and putting initials on the statement to show proof of review.*

**2007-10      Internal Controls Over The Fiscal Court Credit Card Expenditures Function Should Be Strengthened**

During our expenditures testing, auditors noted that the County had many credit cards being used by several different people, including the Jailer and Executive Director of the Somerset Pulaski County Development Foundation in two previous comments. Many receipts were missing, and many payments were made late, resulting in a total of \$969 in finance charges and late fees paid by the County. Some of the existing receipts did note the business purpose of the expense, but it was impossible to verify the ones that were missing. We summarized all the monthly credit card statements as follows:

Credit Card	User	Finance Charges Paid	Amount of Missing Receipts	Total Charges	Missing		
					Meals	Travel	Supplies
Capital One	Jailer	469	1,441	13,473	9	1,342	
VISA	Safety Director	45	3,515	7,393	172	2,383	473
VISA	Former Judge	108	2,280	3,032	53	899	1,316
VISA	Treasurer Safety Director	312	13,467	19,601	476	1,680	3,731
VISA	Current Judge Deputy Judge Judge's Admin. Asst.			1,149			
VISA	Industrial Fund	35	4,522	7,491	1,370	3,087	76
Eagle's Nest Country Club	Industrial Fund		6	251			
		\$ 969	\$ 25,231	\$ 52,390	\$ 2,080	\$ 9,391	\$ 5,596

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**2007-10      Internal Controls Over The Fiscal Court Credit Card Expenditures Function Should Be Strengthened**

We recommend the Finance Officer and County Treasurer require all documentation to be attached to the credit card statements before payment is made, and the purpose of the expenditure should be clearly explained.

*County Judge/Executive Barty Bullock's Response: This error has been corrected by the Pulaski County Finance office. The Somerset Pulaski County Industrial Development Foundation no longer has a credit card through Pulaski Fiscal Court. Strict restrictions have been put into place by the Finance Office and enforced by the Pulaski County Judge Executive. All receipts are turned in to the Finance Officer on a timely manner and they are attached to the appropriate statement. Also, the Finance Officer has asked each department to give an explanation on each receipt as well as who was in attendance. It is also noted in the new guidelines, that if the person is not able to produce a receipt they will be held responsible for the expense. Also, if a department has several missing receipts their credit card privileges will be revoked. The current Finance Officer pays utilities on a weekly basis, there will not be any more incidents in which payments are made late. Also, if there is a statement that is brought over to the Finance Officer for payment it is stamped with a date received stamp. It should also be noted that the current Finance Officer went back through some receipts that had not been attached by the previous Finance Officer as was able to verify several purchases. The Current Finance Officer was able to attach \$4,976.79 in missing receipts for the Pulaski County Public Safety Director. The auditors found and noted that there was a total of \$13,367 in missing receipts that fell under the category of Treasurer and Safety Director. At one point during the Fiscal Year of 2006-2007 the Treasurer and Safety Director shared a credit card, however, the missing receipts were that of the Safety Director. In reviewing the auditor's notes regarding this credit card, there were two receipts that were not accounted for by the auditors. The Finance Officer had indeed attached a receipt for a hotel out of state. The hotel did not give a receipt at time of departure and the Finance Officer called the hotel and requested an invoice be faxed. The faxed copy was attached to the statement. The hotel accommodations were for a group of four for several nights in Portland, Oregon for a software conference. The total of the stay was \$1,383.84. In addition, there was a receipt for air fare that was not accounted by the auditors. Airfare was purchased via the internet and an itinerary was attached that showed who was flying and the destination however, there was not a total amount listed on the invoice. In previous audits with the State this was sufficient proof of purchase. Also the auditors included \$879.85 in this total figure. These charges are automatic charges that occur on a monthly basis. The charges are for computer and software maintenance. The State Auditor's office has never required receipts for recurring charges of this nature. The above listed amounts total \$8,272.92 in missing or unaccounted receipts. This brings the total of missing receipts down to \$5,194.08.*



**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**Federal Programs:** CFDA# 15.928 Civil War Battlefield Land Acquisition Grant  
 CFDA # 20.205 Highway Planning and Construction

**Federal Agencies:** U.S. Department of The Interior  
 U.S. Department of Transportation

**Pass-Through Agency:** State Transportation Cabinet

**Compliance Area:** Subrecipient Monitoring

**Amount of Questioned Costs:** \$1,796,514

**2007-11     The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110**

During single audit testing of the Transportation Enhancement (TEA-21) major federal award program for the Mill Springs Battlefield Visitor's Center Project, it was noted that the Pulaski County Fiscal Court inadequately monitored the operations of the subrecipient, Mill Springs Battlefield Association, in accordance with the Single Audit Act, OMB Circular A-133, A-102 Common Rule, and OMB Circular A-110. The Fiscal Court did not initiate a written subrecipient agreement signed by both parties identifying to the subrecipient the federal award CFDA title and number, award name, name of Federal awarding agency and applicable federal and state compliance requirements. The Fiscal Court did not perform monitoring activities such as site visits, review of financial and progress reporting, or other means to provide reasonable assurance that the subrecipient administered the Federal award in compliance with laws and regulations. The Fiscal Court did not require the subrecipient to obtain an audit in accordance with the Single Audit Act within nine months of the end of the fiscal year end. Currently a subrecipient single audit is being conducted by a local CPA firm for calendar year 2006 and 2007, however, no audit report has been issued as of the audit date.

Due to the lack of monitoring and project information at the recipient level (Fiscal Court) the auditors of the Fiscal Year ended June 30, 2006 requested all project files for the Mill Springs Battlefield Visitors Center Project from the subrecipient. Auditors reviewed all project manuals, invoices, draw down requests, agreements, and bid information. Based upon that review it was noted that the subrecipient was reimbursed \$213,625 of federal monies from the Transportation Enhancement federal program that was previously reimbursed to the subrecipient from a direct funding Housing and Urban Development federal program. In addition, it was noted that the Fiscal Court paid the subrecipient \$36,375 in matching funds associated with this reimbursement. Auditors immediately notified the County Treasurer and the sub recipient's CPA auditor about this duplication of reimbursements between two different federal programs. The Kentucky Transportation Cabinet has been notified about the duplication of reimbursements by its subrecipient between two different federal programs. As of our audit date, there has been no resolution of this matter.

Due to the severity of the failure to monitor, the total amount of expenditures will be considered questioned costs.

We recommend that the Fiscal Court monitor its subrecipient in accordance with the Single Audit Act and applicable OMB Circulars and initiate a subrecipient agreement signed by both parties. We also recommend that the Fiscal Court require its subrecipient to have a single audit conducted on the same fiscal year as the Fiscal Court's and within nine months after the end of that fiscal year.

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM**  
**AUDIT (Continued)**

**2007-11     The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110 (Continued)**

*County Judge/Executive Barty Bullock's Response: Regardless of any monitoring of the grant in question, the Fiscal Court could not have been aware of any direct grant to Mill Springs Battlefield Association (MSBA) since the grant did not pass through the Fiscal Court and the MSBA had no responsibility to report to or make the Court aware of any direct grants. The \$36,375 referred to was part of a 20% grant match the Fiscal Court agreed to make for the sub recipient grant. The direct grant had no bearing on the payment of the match monies. The Fiscal Court had agreed to pay \$90,000 to the Association and intended to pay \$90,000 regardless of any match.*

*The Association had reached a tentative verbal agreement with the Transportation Cabinet that no monies are due to be paid back, and that all expenditures were allowable expenses under the Grant. Discussions with the Transportation Cabinet are still ongoing at this time.*

*In the future, the MSBA will be required to make yearly audits available to the Fiscal Court. As of this date, the Association has an independent auditor who is still working on the Audit in question. He has informed the Fiscal Court that is should be available for your review in the near future.*

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

These comments were not corrected and were repeated in the current audit:

2006-21     The Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB Circular A-133, A-102 Common Rule, And OMB Circular A-110

This finding has not been corrected and is repeated as finding 2007-11.

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**PULASKI COUNTY FISCAL COURT**


**For The Fiscal Year Ended  
June 30, 2007**



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
AND DEVELOPMENT PROGRAM  
PULASKI COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Pulaski County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Barty Bullock  
County Judge/Executive

  
\_\_\_\_\_  
Ariene Phelps Young  
County Treasurer

